

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name S & H Volunteer Fire Department	County Wexford
Fiscal Year End December 31, 2005	Opinion Date July 18, 2006	Date Audit Report Submitted to State August 21, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |           |   |
|-----------|---|
| YES<br>NO | Check each applicable box below. (See instructions for further detail.) |
|-----------|---|
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☒ ☐ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Steven C. Arends	License Number 1101013211

**S AND H VOLUNTEER FIRE DEPARTMENT**

**SLAGLE TOWNSHIP AND VILLAGE OF HARRIETTA**

**HARRIETTA, MICHIGAN**

**DECEMBER 31, 2005**

S AND H VOLUNTEER FIRE DEPARTMENT  
SLAGLE TOWNSHIP AND VILLAGE OF HARRIETTA  
HARRIETTA, MICHIGAN

DECEMBER 31, 2005

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2006

### INDEPENDENT AUDITORS' REPORT

To the Fire Board  
S and H Volunteer Fire Department  
Slagle Township and Village of Harrietta  
Harrietta, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the S and H Volunteer Fire Department, Slagle Township and Village of Harrietta, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Fire Department's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Fire Department's Management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the S and H Volunteer Fire Department, Slagle Township and Village of Harrietta, Harrietta, Michigan, as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Fire Department has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise S and H Volunteer Fire Department, Slagle Township and Village of Harrietta, Harrietta, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

S and H Volunteer Fire Department is a joint venture volunteer fire department supported by the Village of Harrietta and the Township of Slagle that has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the S and H Volunteer Fire Department board's discussion and analysis of the financial results for the fiscal year ended December 31, 2005. In future years, comparative information will be provided.

**Financial Highlights**

- ◆ The assets of the Fire Department exceeded its liabilities at the close of the fiscal year by \$76,690. All of this may be used to meet the Fire Department's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$48,473.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Fire Department's basic financial statements. The Fire Department's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for S and H Volunteer Fire Department. The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Fire Department's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Fire Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Fire Department that are principally supported by intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

activities). The governmental activities of the Fire Department include public safety. The fire department supports no business-type activities.

**Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Fire Department are governmental funds.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Fire Department's financial position over time. The Net Assets of the Fire Department are \$76,690 at December 31, 2005, meaning the Fire Department's assets were greater than its liabilities by this amount.

S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

**S and H Volunteer Fire Department**  
**Net Assets as of December 31, 2005**

	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	\$ 48,473
Non Current Assets	
Capital Assets	133,920
Less: Accumulated Depreciation	<u>105,703</u>
Total Non Current Assets	<u>28,217</u>
Total Assets	<u><u>\$ 76,690</u></u>
<b>Liabilities</b>	<u>\$ 0</u>
<b>Net Assets</b>	
Invested in Capital Assets	28,217
Unrestricted	<u>48,473</u>
<b>Total Net Assets</b>	<u>76,690</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 76,690</u></u>

The most significant portions of the Fire Department's Net Assets are cash and investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Fire Department used to acquire or construct the asset.

At the end of the current fiscal year, the Fire Department is able to report positive balance in net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Fire Department. The condensed information was derived from the government-wide Statement of Activities.



S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

**S and H Volunteer Fire Department**  
**Change in Net Assets**  
**for the Fiscal Year Ended December 31, 2005**

	Governmental Activities
<b>Revenues</b>	
Charges for Services	\$ 425
General Revenues	
Contributions from Local Units	14,500
Unrestricted Investment Earnings	732
Other Revenues	30,165
Total Revenues	45,822
<b>Expenses</b>	
Public Safety	23,054
Change in Net Assets	22,768
<b>NET ASSETS - Beginning of Year</b>	53,922
<b>NET ASSETS - End of Year</b>	\$ 76,690

**Governmental Activities**

During the fiscal year ended December 31, 2005, the Fire Department's net assets increased by \$22,768 or 42.22% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is partially true due to the fact that GASB 34 now requires the Fire Department to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of S and H Volunteer Fire Department comes from private donations. The next largest part of revenue comes from the Village of Harrietta and the Township of Slagle. Each unit contributes an amount based on taxable value in each unit to support the Fire Authority. Each township levied .50 mills for fire protection. This revenue is shown as contributions from local units.

S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

The Fire Department's governmental activities expenses are dominated by public safety expenses that total 100% of total expenses. The Fire Department spent \$21,618 in fiscal year 2005 on public safety expenses. Expenses for insurance represent a large portion of the public safety expenses at \$10,248. Depreciation expense added another \$4,569.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of S and H Volunteer Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund** – At the end of the current fiscal year, S and H Volunteer Fire Department's general fund reported an ending fund balance of \$48,873. All of this amount constitutes unreserved fund balance. The fund balance of the Fire Department's general fund increased by \$24,204 during the current fiscal year.

**General Fund Budgetary Highlights**

During the year, individual expenditure lines were amended to agree with actual expenditures. In total, Public Safety expenditures were less than appropriations by \$2,032.

**Capital Assets and Debt Administration**

**Capital Assets.** The Fire Department's investment in capital assets for governmental activities as of December 31, 2005 amounted to \$28,217 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually, plus all land. A summary of capital asset categories is illustrated below:

<i>S and H Volunteer Fire Department</i> <i>Capital Assets as of December 31, 2005</i>	
	<b>Governmental Activities</b>
Buildings	\$ 30,810
Equipment	103,110
	<hr/> 133,920
Less Accumulated Depreciation	<hr/> 105,703
Net Capital Assets	<hr/> <hr/> \$ 28,217

S AND H VOLUNTEER FIRE DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED DECEMBER 31, 2005

**Economic Condition and Outlook**

The Fire Department is expected to be supported by the Village and Township in the future.

A fire millage was once again levied for the 2004 tax roll. The mills to be levied for the 2005 tax roll for fire protection are expected to be similar to 2004.

These factors were considered in preparing the Fire Department's budgets for the 2005-06 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the money it receives. If you have any questions about this report or need any additional information, contact S and H Volunteer Fire Department at 505 S. Davis Street, Harrietta, Michigan 49638.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

	<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 48,473
<u>CAPITAL ASSETS</u>		
Buildings and Improvements		30,810
Equipment		103,110
		<u>133,920</u>
Less Accumulated Depreciation		<u>105,703</u>
Total Capital Assets		<u>28,217</u>
TOTAL ASSETS		<u><u>\$ 76,690</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>		<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in Capital Assets		28,217
Unrestricted		48,473
		<u>76,690</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 76,690</u></u>

The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005

					NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTALS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Public Safety	\$ 23,054	\$ 425	\$ 0	\$ 0	\$ (22,629)
<u>GENERAL REVENUES</u>					
	Contributions from Local Units				14,500
	Unrestricted Investment Earnings				732
	Other Revenues				30,165
	Total General Revenues				45,397
	Change in Net Assets				22,768
	<u>NET ASSETS</u> - Beginning of Year				53,922
	<u>NET ASSETS</u> - End of Year				\$ 76,690

The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND

BALANCE SHEET  
DECEMBER 31, 2005

ASSETS

Cash	\$ 48,473
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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<u>FUND BALANCE</u>	
Undesignated	48,473

TOTAL LIABILITIES AND FUND BALANCE	\$ 48,473
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The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

Total Fund Balance for Governmental Funds	\$	48,473
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Buildings and Improvements	30,810	
Equipment	103,110	
Accumulated Depreciation	(105,703)	28,217

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>76,690</u>
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The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2005

REVENUES

Local Sources

Contributions from Local Units	\$ 14,500
Charges for Services	425
Interest and Rents	732
Other Revenues	<u>30,165</u>

Total Revenues	45,822
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EXPENDITURES

Public Safety	<u>21,618</u>
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Excess (Deficiency) of Revenues Over Expenditures	24,204
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<u>FUND BALANCE</u> - Beginning of Year	<u>24,269</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 48,473</u></u>
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The accompanying notes are an integral part of the financial statements.



S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005

Net change in Fund Balance Total Governmental Funds	\$ 24,204
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(4,569)
Capital Outlay	<u>3,133</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 22,768</u></u>
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The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

S and H Volunteer Fire Department is a joint venture volunteer fire authority supported by the Village of Harrietta and the Township of Slagle. Under the criteria established by accounting principles generally accepted in the United States of America, the Fire Authority has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Fire Authority adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

requirements of a particular function or segment. Contributions from local units and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Fire Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Contributions from local units and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Fire Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

S and H Volunteer Fire Department reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

When both restricted and unrestricted resources are available for use, it is the Fire Authority's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Fire Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- I. The Fire Authority Board is limited to investments authorized by PA 20 of 1943 and has authorized the Fire Authority Treasurer to invest funds as follows:
  - a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - b. In certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the S and H Volunteer Fire Department Board at the Board's organizational meeting after each regular election of board members.
  - c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
  - d. In repurchase agreements consisting of instruments listed in subdivision (a).
  - e. In bankers' acceptances of United States banks.
  - f. In investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
  - g. In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. Fire Authority revenues are recognized when they become both measurable and available for use to finance Fire Authority operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

For the 2004 – 2005 fiscal year, the S and H Volunteer Fire Department received as aid \$1,500 from the Village of Harrietta, \$13,000 from Slagle Township. In addition, the Fire Authority received \$29,163 in private contributions. Included in private contributions was \$21,707 received from the Harrietta Rescue Squad when it was dissolved.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year plus all land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Vehicles	10
Equipment	5-10

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on January 6, 2005, or as amended by the Fire Authority Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Fire Authority Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire Authority because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. *Excess of Expenditures Over Appropriations***

For the year ended December 31, 2005, expenditures did not exceed appropriations in the General Fund.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The Fire Authority's deposits at year-end were entirely covered by federal depository insurance. All deposits are in Wexford Community Credit Union, Cadillac, Michigan. At year-end, the carrying amount of the Fire Authority's deposits was \$48,473, and the bank balance was \$48,473.

The carrying amount of the Fire Authority's deposits at year-end are shown below:

	<u>GENERAL FUND</u>
Savings Account	\$ 40,137
Commercial Account	
Wexford Community Credit Union	<u>8,336</u>
Cadillac, Michigan	
	<u>\$ 48,473</u>

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of deposits	\$ <u>48,473</u>
Government-wide statement of net assets	
Cash	<u>\$ 48,473</u>

**B. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Buildings and Improvements	\$ 30,810	\$ 0	\$ 0	\$ 30,810
Equipment	99,977	3,133	0	103,110
Total Capital assets, being depreciated	<u>130,787</u>	<u>3,133</u>	<u>0</u>	<u>133,920</u>

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and Improvements	21,966	784	0	22,750
Equipment	79,168	3,785	0	82,953
Total accumulated depreciation	101,134	4,569	0	105,703
Total Capital assets, being depreciated, net	29,653	(1,436)	0	28,217
Governmental activities Capital assets, net	\$ 29,653	\$ (1,436)	\$ 0	\$ 28,217

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Public Safety	\$ 4,569
---------------	----------

Construction Commitments:

The government has no outstanding construction commitments as of December 31, 2005.

**C. Long-Term Debt**

There is no long-term debt.

**IV. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The government carries commercial insurance to guard against loss from these risks.



S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Contributions from Local Units	\$ 16,100	\$ 16,100	\$ 14,500
Charges for Services	500	500	425
Interest and Rents	200	200	732
Other Revenues	1,850	6,850	30,165
Total Revenues	18,650	23,650	45,822
<u>EXPENDITURES</u>			
Public Safety	23,250	23,650	21,618
Excess (Deficiency) of Revenues Over Expenditures	(4,600)	0	24,204
<u>FUND BALANCE</u> - Beginning of Year	24,270	24,270	24,269
<u>FUND BALANCE</u> - End of Year	\$ 19,670	\$ 24,270	\$ 48,473

The accompanying notes are an integral part of the financial statements.

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND

BALANCE SHEET  
DECEMBER 31, 2005

ASSETS

Cash	
Commercial Account	\$ 8,336
Savings Account	40,137
	<hr/>
TOTAL ASSETS	\$ 48,473
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Unreserved	48,473
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,473
	<hr/> <hr/>

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Local Sources		
Contributions from Local Units		
Slagle Township	\$ 13,000	\$ 13,000
Village of Harrietta	3,100	1,500
Charges for Services		
Fire Runs	500	425
Interest and Rents		
Interest Earnings	200	732
Other Revenues		
Fund-raising	1,500	949
Donations	5,350	29,163
Refunds and Rebates	0	53
	<hr/>	<hr/>
Total Revenues	23,650	45,822
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Safety		
Office Supplies	100	0
Travel and Education	3,000	3,195
Public Utilities		
Telephone	250	258
Electricity	700	663
Fuel Oil	1,500	1,696
Gas and Oil	400	396
Repair and Maintenance		
Building	500	249
Equipment	1,500	1,215
Building Supplies	150	0
Insurance and Workers' Compensation	10,250	10,248
Fund-raising and Miscellaneous	400	566
Capital Outlay		
Equipment	4,900	3,132
	<hr/>	<hr/>
Total Expenditures	23,650	21,618
	<hr/>	<hr/>

S AND H VOLUNTEER FIRE DEPARTMENT  
HARRIETTA, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>
Excess (Deficiency) of Revenues Over Expenditures	0	24,204
<u>FUND BALANCE</u> - Beginning of Year	<u>24,270</u>	<u>24,269</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 24,270</u>	<u>\$ 48,473</u>

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

July 18, 2006

## LETTER OF COMMENTS AND RECOMMENDATIONS

To the Fire Board  
S and H Volunteer Fire Department  
Slagle Township and Village of Harrietta  
Harrietta, Michigan

As a result of our audit of the basic financial statements of S and H Volunteer Fire Department for the year ended December 31, 2005, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the Authority:

### Condition of Accounting Records

The accounting records were again found to be in good order and well organized. We would like to congratulate the accounting personnel for doing a good job and thank them for their efforts in accumulating the information needed for the audit.

### GASB 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Fire Authority-wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the Fire Authority.

### Expenditure Documentation

In examining documentation to support various expenditures we could not locate any supporting documents to verify the payment of wages and expense reimbursements. We recommend that the Board annually approve all salaries in the Board Minutes and use expense reimbursement forms when making payments to volunteers.

### Capitalization Policy

The Township should officially adopt and record in the minutes a Capitalization Policy of \$1,000. We have provided an appropriate sample policy for the board to consider for adoption.

We recommend the Fire Authority carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

We would like to thank the board for its continued confidence in our firm and to thank the Fire Authority officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
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*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

July 18, 2006

LETTER OF REPORTABLE CONDITIONS

To the Fire Board  
S and H Volunteer Fire Department  
Slagle Township and Village of Harrietta  
Harrietta, Michigan

In planning and performing our audit of the financial statements of S and H Volunteer Fire Department, Harrietta, Michigan for the year ended December 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Fire Authority make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*